



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GRANT COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES**

June 21, 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 1998 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENT AND RECOMMENDATION	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Darrell L. Link, County Judge/Executive
Honorable Randy Middleton, Grant County Sheriff
Members of the Grant County Fiscal Court

Independent Auditor's Report

We have audited the Grant County Sheriff's Settlement - 1998 Taxes as of June 21, 1999. This tax settlement is the responsibility of the Grant County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted Government Auditing Standards and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Grant County Sheriff's taxes charged, credited, and paid as of June 21, 1999, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Have Required Depository Institutions To Pledge Additional Securities Of \$1,088,751 As Collateral To Protect Deposits

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Darrell L. Link, County Judge/Executive
Honorable Randy Middleton, Grant County Sheriff
Members of the Grant County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated November 23, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 23, 1999

GRANT COUNTY
RANDY MIDDLETON, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

June 21, 1999

<u>Charges</u>	Special			
	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 726,792	\$ 490,093	\$ 2,401,892	\$ 751,900
Tangible Personal Property	92,056	37,277	187,944	110,534
Intangible Personal Property				38,107
Fire Protection	1,537			
Franchise Corporation	189,365	91,686	458,241	
Additional Billings	2,737	1,846	8,581	2,829
Bank Franchise	41,220			
Increased Through Erroneous Assessments	36	24	113	37
Penalties	8,061	5,272	25,393	8,785
Adjusted to Sheriff's Receipt	(189)	(151)	235	(328)
Gross Chargeable to Sheriff	<u>\$ 1,061,615</u>	<u>\$ 626,047</u>	<u>\$ 3,082,399</u>	<u>\$ 911,864</u>
<u>Credits</u>				
Discounts	\$ 10,831	\$ 6,902	\$ 34,111	\$ 11,958
Exonerations	4,529	2,258	11,370	6,681
Delinquents:				
Real Estate	15,964	10,756	52,863	16,490
Tangible Personal Property	828	335	1,587	1,477
Intangible Personal Property				12
Supplemental Bill	36	24	113	37
Total Credits	<u>\$ 32,188</u>	<u>\$ 20,275</u>	<u>\$ 100,044</u>	<u>\$ 36,655</u>
Net Tax Yield	\$ 1,029,427	\$ 605,772	\$ 2,982,355	\$ 875,209
Less: Commissions *	44,039	25,744	74,559	37,484
Net Taxes Due	<u>\$ 985,388</u>	<u>\$ 580,028</u>	<u>\$ 2,907,796</u>	<u>\$ 837,725</u>
Taxes Paid	984,952	579,853	2,906,860	837,593
Refunds	<u>130</u>	<u>81</u>	<u>381</u>	<u>169</u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 306</u>	<u>\$ 94</u>	<u>\$ 555</u>	<u>\$ (37)</u>

* and ** See Page 4

GRANT COUNTY
 RANDY MIDDLETON, SHERIFF
 SHERIFF'S SETTLEMENT - 1998 TAXES
 June 21, 1999
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,500,408
2.5% on	\$	2,982,355

** Special Taxing Districts:

Library District	\$	44
Health District		32
Extension District		(4)
Mental Health District		<u>22</u>

Due Districts or (Refund Due Sheriff)	\$	<u><u>94</u></u>
---------------------------------------	----	------------------

GRANT COUNTY
NOTES TO FINANCIAL STATEMENT

June 21, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff's office maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 10, 1998, the uncollateralized amount on deposit was \$1,088,751. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit.

GRANT COUNTY
 NOTES TO FINANCIAL STATEMENT
 June 21, 1999
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 10, 1998.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 2,025,000
Uncollateralized and uninsured	<u>1,088,751</u>
Total	<u><u>\$ 3,113,751</u></u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 1998 through April 24, 1999.

Note 4. Interest Income

The Grant County Sheriff earned \$7088 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1998 taxes, the Sheriff had \$1,071 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

COMMENT AND RECOMMENDATION

GRANT COUNTY
RANDY MIDDLETON, SHERIFF
COMMENT AND RECOMMENDATION

June 21, 1999

STATE LAWS AND REGULATIONS:

The Sheriff Should Have Required Depository Institutions To Pledge Additional Securities Of
\$ 1,088,751 As Collateral To Protect Deposits

The Sheriff's deposits were not adequately secured by \$1,088,751 as of November 10, 1998. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to provide pledges of securities for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. We recommend that the Sheriff require the depository institution to pledge sufficient securities as collateral to protect deposits at all times.

Management's Response:

I agree; and I will take care of this.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Darrell L. Link, County Judge/Executive
Honorable Randy Middleton, Grant County Sheriff
Members of the Grant County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Grant County Sheriff's Settlement - 1998 Taxes as of June 21, 1999, and have issued our report thereon dated November 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Grant County Sheriff's Settlement - 1998 Taxes as of June 21, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grant County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Darrell L. Link, County Judge/Executive
Honorable Randy Middleton, Grant County Sheriff
Members of the Grant County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 23, 1999

